

Message Text

CONFIDENTIAL

PAGE 01 MOSCOW 15905 041909Z

63

ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 /020 W
----- 127637

R 041428Z NOV 75
FM AMEMBASSY MOSCOW
TO SECSTATE WASHDC 6418
INFO USDOC WASHDC

C O N F I D E N T I A L MOSCOW 15905

E.O. 11652 GDS

TAGS: ETRD, EEWT, UR, US

SUBJECT: HERMAN CORPORATION SIGNS SECOND MAJOR CONTRACT - SOVIET
PAYMENTS PROBLEMS INDICATED

USDOC FOR BEWT/TDAD AND BEWT/USSR

1. HERMAN CORPORTATION OF ZELIENOPLE, PENNSYLVANIA SIGNED 9.6
MILLION DOLLAR CONTRACT NOVEMBER 3 WITH SOVIET FTO METALLURG-
IMPORT FOR FOUNDRY EQUIPMENT TO BE INSTALLED AT AS YET UNIDENT-
IFIED SOVIET PLANT WHICH PRODUCES MINING DRILLS. THIS CONTRACT
IS SECOND MAJOR SALE IN USSR FOR HERMAN, WHICH PREVIOUSLY
LANDED 35 MILLION DOLLAR ORDER FOR FOUNDRY EQUIPMENT TO BE
INSTALLED AT CHEBOKSARY TRACTOR WORKS.

2. IN DISCUSSIONS WITH COMMATT AND OTHER MEMBERS OF USCOMMOFF
STAFF DURING PERIOD LEADING UP TO SIGNING, HERMAN CORP. PRESIDENT
ROBERT KAVENY AND HERMAN'S USSR AGENT, JULIAN HOFFMAN OF INDUSTRIAL
MACHINERY CORP., REVEALED EXTENT TO WHICH FOREIGN CURRENCY PINCH
HAS HIT METALLURGIMPORT, AND PRESUMABLY OTHER FOREIGN TRADE ORGAN-
IZATIONS. AFTER HAVING REACHED AGREEMENT ON PRICE OF 9.4 MILLION
DOLLARS AND AGREED ON ALL TECHNICAL ASPECTS, METALLURGIMPORT
IMPORT OFFICIALS LEARNED, APPARENTLY TO THEIR SURPRISE, THAT FUNDS
WHICH HAD PREVIOUSLY BEEN ALOCATED TO FTO HAD BEEN RECLAIMED BY
BANK OF FOREIGN TRADE ON GOSPLAN'S INSTRUCTIONS. METALLURGIMPORT
ASKED FOR CONTRACT WITH NO DOWN PAYMENT AND NO PAYMENTS UNTIL
1977. KAVENY AND HOFFMAN REPORTED THAT THEY RESISTED THESE TERMS
BUT EVENTUALLY GAVE IN WHEN METALLURGIMPORT AGREED TO RAISE VALUE
OF CONTRACT BY 200,000 DOLLARS PARTIALLY TO COVER HERMAN'S

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MOSCOW 15905 041909Z

ADDITIONAL FINANCING COSTS. ALTHOUGH METALLURGIMPORT OFFICIALS

DID NOT DIRECTLY LINK THEIR STRAITENED CIRCUMSTANCES TO GRAIN PURCHASES, KAVENY AND HOFFMAN WERE LED TO UNDERSTAND THAT THIS WAS THE CAUSE. METALLURGIMPORT OFFICIALS PREDICTED THAT IN ANOTHER MONTH THEIR HARD-CURRENCY SITUATION WOULD BE EVEN LESS FAVORABLE.

3. COMMENT: THIS IS FIRST INSTANCE WHICH HAS COME TO COMMERCIAL OFFICE'S ATTENTION IN WHICH SOVIET FTO HAS ADMITTED THAT IT WAS COMPLETELY OUT OF MONEY FOR TIME BEING. HOFFMAN ADVISED THAT MASHINOIMPORT, ANOTHER FTO WITH WHICH HE HAS SUBSTANTIAL DEALINGS IS IN ESSENTIALLY SAME SITUATION WITH EXCEPTION OF PURCHASES FOR ORENBURG PIPELINE PROJECT. IN THIS CONNECTION, UPCOMING EXHIBITIONS "PHYSICS-75" AND "GEOLOGICAL RESEARCH-75", WHERE SOVIETS HAD BEEN EXPECTED TO MAKE VERY SUBSTANTIAL PURCHASES, WILL PROVIDE OPPORTUNITY TO JUDGE WHETHER EXTENSIVE CUT-BACKS HAVE IN FACT BEEN MADE.

MATLOCK

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOUNDRIES, INDUSTRIAL PLANTS
Control Number: n/a
Copy: SINGLE
Draft Date: 04 NOV 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MOSCOW15905
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750383-0420
From: MOSCOW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751176/aaaacqnn.tel
Line Count: 77
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 16 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 JUN 2003 by BoyleJA>; APPROVED <27 OCT 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: HERMAN CORPORATION SIGNS SECOND MAJOR CONTRACT - SOVIET PAYMENTS PROBLEMS INDICATED
TAGS: ETRD, EEWT, UR, US, HERMAN CORPORATION
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006